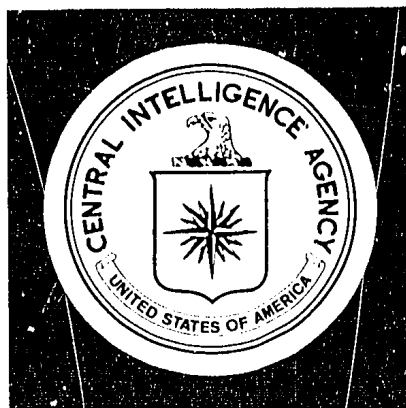


Sanitized Copy Approved for
Release 2011/09/20 : [REDACTED]
CIA-RDP85T00875R00150015

Sanitized Copy Approved for
Release 2011/09/20 : [REDACTED]
CIA-RDP85T00875R00150015

Secret

25X1



Economic Intelligence Weekly

LOAN COPY
Return to DSB
1H1107, Hq.

Secret

CIA No. 7920/74
3 January 1974

Copy N^o 185

Page Denied

SECRET**CONTENTS**Page**Notes**

Soviets Deny Grain Sales	1
General Motors Shelves Soviet Truck Bid	1
Arabs Still Buying US Civil Aircraft	1
Soviet Foreign Trade in 1973	1
Brazilian Coffee Prices Jump	2
Taiwan May Lose Access to Intelsat	2

Articles

Japan: Altered Prospects for 1974 <i>Japan apparently will obtain enough oil to permit small gains in GNP in 1974.</i>	3
---	---

Argentina's Triennial Plan <i>Peron calls for massive investment and industrial expansion at a cost of more than \$10 billion.</i>	4
---	---

China: Economic Policy in 1973 <i>Recent policy decisions have sacrificed short-run independence for long-run self-sufficiency.</i>	5
--	---

	6
--	---

25X1

Publication of Interest

Summary of a Recent Publication	8
---------------------------------	---

Comparative Indicators

Recent Data Concerning Domestic and External Economic Activity	A1
--	----

The oil situation is now being covered mainly in International Oil Developments, published each Friday morning.

Note: Comments and queries regarding this publication are welcomed. They may be directed to Mrs.

25X1

SECRET**ECONOMIC INTELLIGENCE WEEKLY****Notes****Soviets Deny Grain Sales**

In response to a Moscow Embassy inquiry, officials of the Soviet grain export organization (Eksporthleb) have denied recent market rumors that it sold substantial quantities of wheat and barley to Scandinavian countries. In November, Eksporthleb similarly denied reports of Soviet grain sales to Yugoslavia and Egypt. Nevertheless, the Soviets, because of their huge 1973 harvest, probably have several million tons to sell to countries other than traditional clients. [REDACTED]

25X1

General Motors Shelves Soviet Truck Bid

After two years of unsuccessful negotiations with the Soviets, General Motors is shelving its proposal to assist in building a heavy diesel truck plant at Krasnoyarsk. [REDACTED]

25X1

Arabs Still Buying US Civil Aircraft

In spite of the Middle East situation, US aircraft sales to the Arabs continue. Following a record \$506 million in aircraft deliveries to Arab airlines in 1973, US manufacturers already can look forward to \$100 million in sales for 1974. On 15 December, Saudi Arabia signed a letter of intent to purchase two Lockheed L 1011-1's for \$50 million; Syria has received a like amount from Abu Dhabi for the purchase of either McDonnell Douglas or Lockheed wide-bodied transports. [REDACTED]

25X1

Soviet Foreign Trade in 1973

Deputy Minister of Foreign Trade Semichastnov has reported a 10% increase in Soviet foreign trade in 1973. Trade with the Western industrial nations grew by about 15% and accounted for about one-fifth of the total turnover of \$39 billion. The United States, West Germany, and Japan were the leading partners in this trade, with about \$1-1/3 billion each. Soviet trade with the United States more than doubled the 1972 level of \$650 million, grain accounting for most of the increase. US-Soviet trade

SECRET

3 January 1974

SECRET

probably will decline in 1974 to about \$1 billion. Soviet purchases of agricultural products from the United States are expected to fall from about \$1 billion in 1973 to about half that in 1974, more than offsetting the expected growth of US exports of machinery and equipment.

25X1

Brazilian Coffee Prices Jump

Brazilian authorities evidently expect further increases in world coffee prices and have announced that Brazil's minimum export price for green coffee will go up from the present 63 cents per pound to 68 cents by next June. World coffee prices have increased more than 35% over the past 18 months as world production declined and supplies tightened. Almost all the drop occurred in Brazil, where poor weather and disease cut production for the 1973/74 marketing year by nearly 40%. Brasilia has announced that exports during the first half of 1974 will be cut to 5.1 million bags, compared with 9.1 million in the same period of 1973, but it expects the cut to be largely offset by higher prices.

25X1

Taiwan May Lose Access to Intelsat

If the Chinese representation issue comes to a vote at the Intelsat meeting in Washington on 4-8 February, the PRC almost certainly will take over the membership now held by the Republic of China. Taiwan is attempting to muster US support to preserve its membership in Intelsat or, failing that, to retain access to the system as a non-member participant. However, most of the members of Intelsat would not contest Peking's view of Taiwan as a part of China, and continued use of the system by Taiwan would depend on Peking's sufferance. Because of Taiwan's heavy dependence on Intelsat and the dearth of alternative high-quality telecommunications, loss of access would cause serious inconvenience to the business community.

25X1

SECRET

3 January 1974

SECRET

ARTICLES

JAPAN: ALTERED PROSPECTS FOR 1974

The Arab decision to place Japan on the list of friendly countries should ease the energy pinch. At the same time, sharply increased oil prices spell financial troubles.

Arab oil deliveries to Japan probably will increase substantially within two months, since the Arabs have promised to meet Tokyo's needs. Unless the amount of non-Arab oil now being diverted from Japan to other countries increases, Japanese oil supplies should return to near the pre-crisis level of 5.6 million b/d by March.

If oil imports for the whole of 1974 are close to the pre-crisis level, we would expect GNP to grow by 3% to 5% in real terms, compared with the long-term average of 10%. Before the latest change in Arab policy, the outlook was for a slight decline in GNP in 1974. The rate of growth now anticipated reflects not only the constraints on energy supplies but also a likely weakening in business confidence which will reinforce the previously expected cyclical slowdown in private investment.

The recent price hike for oil, which may be followed by further increases during 1974, will intensify Japan's already strong inflationary pressures. Consumer prices increased by 16% during the year ending in November, wholesale prices by 22%. Tokyo expects a further rise of 5.5% in December's wholesale index; additional sharp increases will occur in early 1974, reflecting the full effect of the oil price increases. At least one-fourth of the increase in wholesale prices in 1973 was directly attributable to higher prices for imported materials, including oil.

Higher oil prices could result in Japan's first trade deficit in a decade. With deliveries at the pre-crisis level, the 1974 oil import bill probably would amount to \$16 billion, compared with \$6 billion in 1973. Although the physical volume of imports as a whole is unlikely to increase much, the value of imports probably will rise by about 35%, to \$43 billion. In this event, exports in dollar terms would have to increase by about \$7 billion, or 20%, to avoid a trade deficit in 1974, and by nearly 30% to achieve a trade surplus large enough to cover net service payments.

25X1

* * * * *

SECRET

3 January 1974

SECRET

ARGENTINA'S TRIENNIAL PLAN

Peron has unveiled a grandiose three-year economic development plan calling for an annual real growth rate of 7.7%, the creation of 1 million new jobs, a quadrupling of social welfare expenditures, a near doubling in exports to almost \$6 billion, a sharp increase in the production of electric power and steel, and expansion of transportation and communications facilities.

This **Plan Trienal** will require more than \$10 billion in public funds during the next three years.

- Investment of \$1.4 billion is to raise crude steel production capacity to 4 million tons by 1977 and to add facilities for an additional 2.5 million tons of steel plate;
- The automotive expansion plan calls for annual exports of 600,000 vehicles by 1978 -- twice the number now produced;
- A \$2.5 billion program is to quadruple electric power production;
- A \$1.2 billion public housing program is scheduled to add 850,000 housing units by 1977; and
- A \$2.7 billion land reclamation project is designed to provide 20 million hectares of new farmland.

To cover the foreign exchange costs of the plan, Peron apparently intends to rely heavily on a projected growth of annual agricultural exports to \$4.3 billion by 1977 and on substantial international assistance. Argentine officials claim credits from the Inter-American Development Bank (IADB) for 1974 will amount to \$756 million. IADB sources indicate the maximum under consideration is only \$300 million.

Prospects for the success of the **Plan Trienal** are dim. If, as appears likely, the plan is financed primarily through monetary expansion, inflationary pressures would rapidly reach the critical point. Although price and wage controls have slowed Argentina's price spiral, inflationary pressures have been building up even without a development program. The volume of money has doubled in the last 12 months, and the budget deficit in 1973 is expected to exceed 8% of gross domestic product.

SECRET

Agriculture – the source of 80% of Argentine foreign exchange earnings – has been badly shaken by Peronist policies, which have artificially depressed domestic prices. Wheat plantings for 1973/74 are down 25%, and wheat exports are expected to be less than one-third of the 1972/73 level. In spite of record herds, Buenos Aires is even having difficulty assuring adequate domestic supplies of beef. Meat exports declined 16% in the first 11 months of 1973.

Prospects for the Plan Trienal are further dimmed by Argentina's \$3 billion external debt, which is requiring service payments in excess of \$2 billion during 1973-75.

25X1

* * * * *

CHINA: ECONOMIC POLICY IN 1973

In spite of unfilled top administrative posts and intensified wrangling between ideologues and moderates, the Chinese government proved capable of making far-reaching economic decisions in 1973. These decisions generally favored agriculture and its supporting industries and sacrificed some of China's short-run economic independence in order to achieve self-sufficiency over the long haul.

Grain Import Policy

In 1973, Peking took the unprecedented step of concluding long-term grain import agreements with three traditional suppliers – Canada, Australia, and Argentina. Grain imports totaled 8 million tons in 1973, a sharp rise over the normal 5 million tons. Imports will be a minimum of 9 million tons in 1974. In spite of agreements with other suppliers, China probably will import about as much grain from the United States in 1974 as in 1973 – about 5 million tons.

Contracts for Industrial Plants on Credit

In 1973, China contracted with non-Communist countries for \$1.1 billion worth of industrial plants, mainly for chemical fertilizers and artificial fibers. This strategy is sound:

- Machinery and equipment are much better buys in today's market than grain or fertilizer will be in tomorrow's market;
- China will have the necessary petroleum-based raw materials for these plants; and

SECRET

3 January 1974

SECRET

- Increased production of artificial fiber will permit the population to be clothed in spite of the recent transfer of cotton acreage to grain.

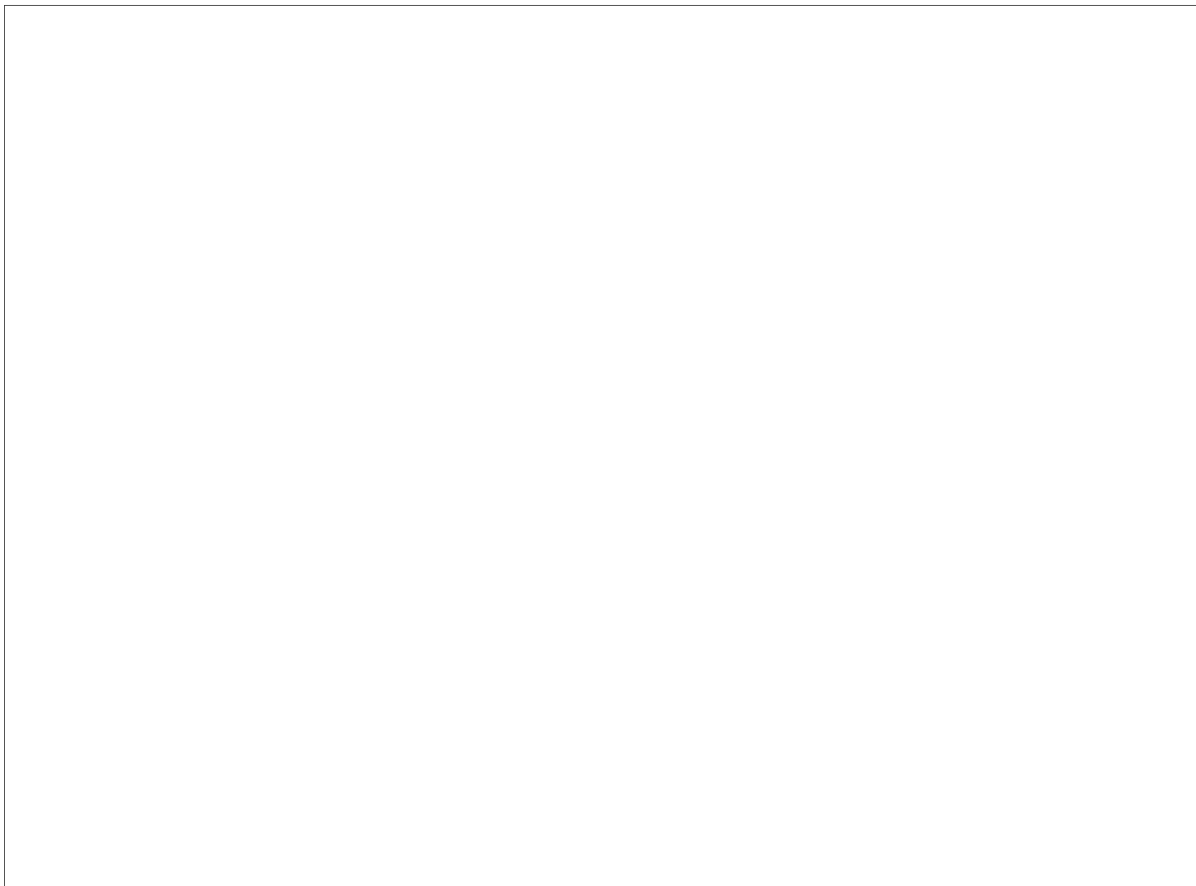
Outside of a revolving charge account for Western grain and fertilizer, Peking up until 1973 could boast of having no foreign debt. Because of the large new contracts for foreign industrial plants, however, China faces deferred payment obligations of \$100 million to \$200 million annually for the late 1970s. Contracts in 1974 are likely to match the volume of 1973. Even so, Peking can readily handle the resulting level of foreign debt.

Stimulation of Exports

In 1973 the government speeded up development of an already rapidly expanding oil industry, to take advantage of the favorable international market. Other measures to increase earnings of hard currency include substantial rises in the prices of export goods, encouragement of larger remittances by overseas Chinese, and greater responsiveness to customer needs in grading, packaging, and labeling.

25X1

* * * * *



25X1

Page Denied

SECRET

Publication of Interest

East German Trade with the Industrial West

(CIA ER RP 73-21, December 1973,

25X1

East Germany has turned to the industrial West to offset a slowdown in Soviet and East European deliveries of industrial materials and agricultural products. As a result, its imports from the industrial West have outstripped exports since 1968, and indebtedness has reached \$900 million, an amount equal to three-fourths of annual hard currency exports. To avoid severe payments problems or an unacceptable slowdown in growth, the regime will have to boost exports or find concessionary financing by the end of this decade.

SECRET

3 January 1974

DOMESTIC ECONOMIC INDICATORS

GNP*

Constant Market Prices

	Latest Quarter	Percent Change from Previous		Average Annual Growth Rate Since	
		Quarter	1970	1 Year Earlier	Previous Quarter
United States	73 III	0.9	5.0	5.7	3.7
Japan	73 III	0.5	8.5	10.0	2.0
West Germany	73 II	-2.3	3.6	6.2	-8.8
France	73 II	0.7	6.2	8.7	2.9
United Kingdom	73 III	0.9	4.5	11.3	3.9
Italy	73 I	0.8	3.1	5.2	3.4
Canada	73 III	0.4	5.7	6.9	1.7

WHOLESALE PRICES

Industrial

	Latest Month	Percent Change from Previous		Average Annual Growth Rate Since	
		Month	1970	1 Year Earlier	3 Months Earlier
United States	Nov 73	3.2	6.0	12.3	21.3
Japan	Nov 73	3.2	7.0	22.3	31.9
West Germany	Oct 73	0.6	4.9	7.3	5.2
France	Oct 73	1.2	7.5	15.6	14.2
United Kingdom	Nov 73	1.3	8.0	9.5	19.3
Italy	Oct 73	2.0	8.8	20.1	15.6
Canada	Oct 73	1.1	10.1	24.3	34.8

INDUSTRIAL PRODUCTION*

	Latest Month	Percent Change from Previous		Average Annual Growth Rate Since	
		Month	1970	1 Year Earlier	3 Months Earlier**
United States	Nov 73	0.2	5.8	6.4	2.6
Japan	Nov 73	0.4	9.3	18.8	14.0
West Germany	Sep 73	1.1	4.3	9.7	-3.7
France	Oct 73	3.6	7.0	8.7	-1.3
United Kingdom	Oct 73	0.1	3.7	5.8	2.7
Italy	Oct 73	-2.4	4.1	10.5	18.2
Canada	Sep 73	1.8	6.0	8.3	-3.4

CONSUMER PRICES

	Latest Month	Percent Change from Previous		Average Annual Growth Rate Since	
		Month	1970	1 Year Earlier	3 Months Earlier
United States	Nov 73	0.7	5.1	8.4	7.6
Japan	Nov 73	1.0	8.2	15.9	18.4
West Germany	Oct 73	0.7	5.9	6.6	3.8
France	Oct 73	2.0	6.9	9.0	15.1
United Kingdom	Nov 73	0.8	8.9	10.4	15.7
Italy	Oct 73	0.8	7.3	11.0	8.3
Canada	Nov 73	0.8	5.5	9.3	6.7

RETAIL SALES*

Current Prices

	Latest Month	Percent Change from Previous		Average Annual Growth Rate Since	
		Month	1970	1 Year Earlier	3 Months Earlier**
United States	Nov 73	0.1	11.0	11.4	8.5
Japan	Nov 73	-0.1	12.6	21.0	16.9
West Germany	Sep 73	0	8.0	4.8	-10.9
France	Sep 73	10.0	6.1	3.8	0.3
United Kingdom	Aug 73	0.7	11.1	12.1	14.8
Italy	May 73	2.3	11.3	20.4	22.3
Canada	Nov 73	0.3	10.1	10.5	8.0

MONEY SUPPLY*

	Latest Month	Percent Change from Previous		Average Annual Growth Rate Since	
		Month	1970	1 Year Earlier	3 Months Earlier**
United States	Nov 73	0.5	7.2	5.5	1.2
Japan	Sep 73	4.0	18.7	27.0	6.8
West Germany	Oct 73	-0.5	8.3	-0.6	-8.9
France	Sep 73	1.5	12.3	8.1	-3.8
United Kingdom	Nov 73	-0.8	9.9	5.8	-6.6
Italy	Jun 73	2.9	20.8	22.4	26.7
Canada	Oct 73	0.7	13.4	13.8	10.9

MONEY-MARKET RATES

	Representative Rates	Percent Rate of Interest			
		Latest Date	1 Year Earlier	3 Months Earlier	1 Month Earlier
United States	Prime finance paper	14 Dec	8.25	5.13	9.00
Japan	Call money	30 Nov	9.25	4.25	7.50
West Germany	Interbank loans (3 Months)	14 Dec	13.00	8.75	14.25
France	Call money	7 Dec	11.50	7.00	9.56
United Kingdom	Local authority deposits	7 Dec	15.38	5.59	14.08
Canada	Finance paper	14 Dec	9.25	5.13	8.63
Euro-Dollars	Three-month deposits	14 Dec	10.44	6.06	11.44

*Seasonally adjusted.

**Average for latest 3 months compared with average for previous 3 months.

3 Jan 74

EXTERNAL ECONOMIC INDICATORS

EXPORTS*

f.o.b.

	Latest Month	Cumulative		
		Million US \$	1973	1972
United States	Nov 73	8,820	83,860	44,000
Japan	Nov 73	3,500	32,530	25,104
West Germany	Oct 73	6,785	55,054	38,172
France	Nov 73	3,538	33,058	24,029
United Kingdom	Nov 73	2,478	20,077	20,900
Italy	Oct 73	2,223	17,781	15,073
Canada	Sep 73	1,990	18,084	14,547
				Percent Change
				43.0
				29.3
				45.8
				40.1
				24.7
				18.4
				24.3

EXPORT PRICES

US\$

	Latest Month	Percent Change from Previous Month		Average Annual Growth Rate Since	
		Month	1970	1 Year Earlier	3 Months Earlier
United States	Oct 73	3.9	8.9	24.2	30.6
Japan	Aug 73	2.9	13.0	24.8	38.6
West Germany	Sep 73	-0.6	15.0	33.3	38.6
France	Jul 73	0.5	15.3	29.1	53.2
United Kingdom	Sep 73	-1.8	8.6	12.8	-8.1
Italy	Jul 73	3.3	10.1	15.5	34.0
Canada	Aug 73	2.9	6.9	15.2	19.0

IMPORTS*

f.o.b.

	Latest Month	Cumulative		
		Million US \$	1973	1972
United States	Nov 73	8,730	83,088	50,551
Japan	Nov 73	3,143	28,455	17,053
West Germany	Oct 73	5,053	42,298	31,041
France	Nov 73	3,350	32,456	22,898
United Kingdom	Nov 73	3,124	30,792	22,451
Italy	Oct 73	2,428	19,957	13,933
Canada	Sep 73	1,940	16,914	13,783
				Percent Change
				24.8
				66.9
				38.3
				41.7
				37.2
				43.2
				22.7

EXPORT PRICES

National Currency

	Latest Month	Percent Change from Previous Month		Average Annual Growth Rate Since	
		Month	1970	1 Year Earlier	3 Months Earlier
United States	Oct 73	3.9	8.9	24.2	30.6
Japan	Sep 73	1.8	3.3	10.2	41.4
West Germany	Sep 73	1.3	1.3	1.4	10.2
France	Aug 73	3.6	5.5	9.4	19.0
United Kingdom	Sep 73	0.5	9.1	12.8	15.5
Italy	Jul 73	3.3	7.5	15.7	30.3
Canada	Aug 73	2.8	5.7	16.9	19.9

TRADE BALANCE*

f.o.b./f.o.b.

	Latest Month	Cumulative (Million US \$)		
		Million US \$	1973	1972
United States	Nov 73	90	774	891
Japan	Nov 73	417	4,075	11
West Germany	Oct 73	1,732	13,358	1,31
France	Nov 73	188	1,202	1,131
United Kingdom	Nov 73	-648	-4,715	-1,545
Italy	Oct 73	-205	-2,176	1,076
Canada	Sep 73	49	1,170	703
				Change
				8,685
				-4,037
				8,225
				71
				-3,171
				-3,263
				407

IMPORT PRICES

National Currency

	Latest Month	Percent Change from Previous Month		Average Annual Growth Rate Since	
		Month	1970	1 Year Earlier	3 Months Earlier
United States	Oct 73	4.8	11.3	23.0	27.1
Japan	Sep 73	0.7	2.8	14.1	23.4
West Germany	Sep 73	0.9	0.1	3.0	0.4
France	Aug 73	4.5	4.5	8.9	23.9
United Kingdom	Sep 73	5.5	14.8	41.5	65.2
Italy	Jul 73	5.9	12.6	30.9	70.6
Canada	Jul 73	1.5	5.2	11.6	17.5

BASIC BALANCE**

Current and Long-Term Capital Transactions

	Latest Period	Cumulative (Million US \$)		
		Million US \$	1973	1972
United States*	73 III	2,570	990	-8,400
Japan	Oct 73	-771	-7,338	1,791
West Germany	Sep 73	555	2,521	3,575
France	73 II	17	-559	-202
United Kingdom	73 II	-281	-1,348	-630
Italy	72 IV	800	N.A.	2,983
Canada	73 II	93	-151	434
				Change
				9,390
				-9,128
				-1,055
				-357
				-717
				N.A.
				-585

EXCHANGE RATES

As of 28 Dec 73

	US \$ Per Unit	Percent Change from			
		Dec 66	18 Dec 1971	19 Mar 1973	21 Dec 1973
Japan (Yen)	0.0038	29.43	9.98	-8.10	0
West Germany (Deutsche Mark)	0.3708	47.41	19.43	4.66	-1.09
France (Franc)	0.2128	5.40	8.08	-3.45	-1.44
United Kingdom (Pound Sterling)	2.3180	-18.94	-11.04	-5.81	0.48
Italy (Lira)	0.0016	2.81	-4.30	-7.01	-0.36
Canada (Dollar)	1.0030	8.74	0.52	0.53	0.21

OFFICIAL RESERVES

	Latest Month	Billion US \$		
		End of	Jun 1970	1 Year Earlier
United States	Oct 73	14.4	16.3	13.3
Japan	Dec 73	12.2	4.1	18.4
West Germany	Oct 73	39.8	8.8	23.9
France	Nov 73	7.9	4.4	10.0
United Kingdom	Nov 73	6.8	2.8	5.9
Italy	Sep 73	8.5	4.7	8.4
Canada	Nov 73	5.7	4.3	6.0
				3 Months Earlier
				14.0
				14.8
				42.4
				9.9
				6.5
				6.0
				5.8

TRADE-WEIGHTED EXCHANGE RATES***

As of 28 Dec 73

	Percent Change from			
	Dec 66	18 Dec 1971	19 Mar 1973	21 Dec 1973
United States	-14.97	-5.61	1.08	0.14
Japan	18.95	5.13	-8.81	0.09
West Germany	27.86	11.08	6.10	-0.50
France	-14.08	-0.84	-3.28	-0.86
United Kingdom	-34.73	-20.80	-6.24	0.90
Italy	-15.85	-14.88	-7.88	0.38
Canada	6.18	-0.40	1.24	0.25

*Seasonally adjusted.

**Converted into US dollars at current market rates of exchange.

3 Jan 74

***Weighting is based on each listed country's trade with 16 other industrialized countries to reflect the competitive impact of exchange-rate variations among the major currencies.